



MULTIPOLARITY, SECOND COLD WAR
AND FIFTH WORLD WAR

Deleuze/Guattari speak of the third world war in the Thousand Plateaus. They write: “Here (after the Second World War) the reversal of Clausewitz’s formula occurred: politics becomes the continuation of war, peace technically triggers the limitless material process of total war. War ceases to be a materialisation of the war machine, the war machine itself becomes materialised war. In this sense, fascism is no longer necessary at all. The fascists were only childlike precursors, and absolute peace had the success that total war had failed. We were already in the Third World War.” Crucial to the transition to the next period of capitalism was then the global digitalisation of the war machine, which thus became a permanent virtual death machine. The digital mapping of the theatres of war in real time, indeed of the whole world, the use of aerial drones, the war on the screen, in which the gaze is simultaneously directed into the surrounding territory and onto the screen with information, bear witness to that postmodern war machine, which is now directly linked to the axiomatics of global finance capital, indeed subordinated to it.

Baudrillard ties in with these theses. He writes: “The only true fundamentalism that produces the only true terror is the fundamentalism of a fluid, mobile technocracy, the technocracy of flows and networks, of an unstoppable proliferation and intellectual diaspora: a fundamentalism without foundation. All other forms of reactionary violence, all other forms of integration, of totalitarianism, of religious and ethnic fanaticism, all this visible, spectacular violence that culminates in terrorism, is less deadly than the invisible form of violence of the unstoppable world process, of world processing.” On the occasion of 9/11, he then speaks of the fourth world war, focusing on resistance. In doing so, he states:

“The first world war ended European domination and the era of colonialism, the second ended Nazism and the third ended communism. Each brought us gradually closer to today’s unified world order, which is now nearing its end, everywhere in resistance, everywhere in struggle with hostile forces. It is a war of fractal complexity being waged worldwide against rebellious singularities, singularities that resist like antibodies in every cell.”

Given the rise of riots in the last 20 years, it is indeed possible to speak of rebellious singularities that have entered the world stage, but without having sufficient influence on world affairs. Today, when one speaks of multipolarity, by which can only be meant the geo-political shifts on the globe (BRICS), because the USA with its financial system, the dollar and the industrial-military complex remains the hegemonic power, then perhaps what could be called the fifth world war is heralding. Under the sign of “unipolarity vs multipolarity”, the war in Ukraine is already being negotiated, and it cannot be ruled out that the new war over Gaza will take on international dimensions. At the same time, there is also talk of the second cold war, which is taking place on the main side between the USA and China. At present, China is also conspicuously keeping a low profile in the Gaza conflict, which does not mean that China should only be seen as a passive observer here.

Finally, Baudrillard distinguishes between the event that occurs in history and the non-event that occurs in the real time of information. The new time of information does not run as in a film, but is itself a film. It proliferates beyond the end of history and can realise almost all possibilities as an integral reality. At the same time, however, there is the unpredictable irruption of events that also lie beyond history, but are difficult to decipher in their singularity. Inspired by the “power of evil”, they correlate strangely with the system that has put an end to history. The catastrophic event cannot be thought of without the occurrence of the polycrisis

that leads to catastrophe or radical involution. This goes hand in hand with the tendential fall of the reality rate due to the excess of information. Terrorism as an intangible type of event indicates that threshold at which the intangible system of capital flows and networks brings forth its own negation, whereby the system is now confronted with itself. The spectre of communism is now replaced by its own spectre. Globalisation, whose implicit aim was to neutralise all conflicts, now leads, as we are seeing, to a strengthening of the extremes. For Baudrillard, all that remains is the explosive confrontation between a virtual omnipotence, and those who bitterly and fanatically oppose it: "The current confrontation between American hegemony and Islamic terrorism is the culmination of the duel between an integral reality of power and the integral rejection of that same power."

However, it must be emphasized that, for example, the resistance of the Palestinian people cannot be reduced to terror. In the current conflict over Gaza, Hamas and the radical right-wing government of Israel are at least similar in language when they speak of eradication and extermination. However, as we said, today the confrontation at the world level is focused on the question of unipolarity versus multipolarity.

The key economic danger following the Gaza war, IMF argues, is an escalation of fighting in Israel and Gaza into a wider regional conflict. This could not only hit confidence, but add a fresh inflationary outburst to economies that are only beginning to recover from a series of price shocks. The IMF believes a 10 per cent rise in oil prices would raise global inflation by about 0.4 percentage points.

Global economic growth could fall to 1.7 per cent, which would mean a loss of wealth of one trillion US dollars. At the same time, the oil price could rise to 150 US dollars per barrel. Conflicts in the Middle East can shake the whole world, as the region is a major energy supplier and important trade routes pass through it.

The Arab-Israeli war of 1973, which resulted in an oil embargo and years of stagflation in the industrialised countries, is a vivid example of this.

IMF speaks several times now of a large number of shocks including the Middle East conflict and its potential implications for energy prices. In my new book “Ecstasy of Speculation. Capitalism in the epoch of Catastrophe” i write in full length about Polycrisis which can lead to implosion and catastrophe, as we see now again.

The Covid-19 pandemic and the Ukraine war are events that have transformed the structure of what is now called globalisation. Terms such as “reshoring” and “nearshoring” have been used as a result of the disruption of global supply chains to point to the need to reorganise the locations of production as well as the circuits of circulation. The Russian invasion of Ukraine “latched on” to the pandemic in this respect, adding the term “friendshoring”. Strategic sectors such as energy and food have been destabilised as a result. Western sanctions against Russia have further contributed to the fragmentation of the global space.

Nevertheless, it is still possible to speak of globalisation when thinking about cross-border infrastructures, energy distribution systems, digitalisation, logistics, finance, research and the development of artificial intelligence. As artificial intelligence shows, these processes are not free of trade wars, but at the same time it continues to be organised on a global scale, but with imbalances and differences that divide countries like the US and China. Global capitalism today refers to global processes that drive the accumulation of capital in a multinational framework, setting conditions of capitalisation and producing a series of effects that also affect the political dimension itself.

To speak of a crisis of US global hegemony today is not to create scenarios of “decline” or to deny the continuing economic and, above all, military power of the United States. However, there are a number of regional integration processes involving the role of the BRICS and the multiplication of trade agreements without the dollar. To define this global order, Adam Tooze has proposed the category of “centrifugal multipolarism”.

The U.S. has still five sources of power that characterize its special role as a hegemonic power:

by far the largest military power

economic superpower with a dominant global financial system and the dollar as the world currency

technological leadership

global networks

1. soft power

The global market includes the “big states” that can be called “imperial” with reservations, such as the US, EU, China, India and Russia. Their ability to regulate the economy plays an important role in the formation of the poles. However, the multipolar world is not organised exclusively along territorial lines. What the globaliserun characterises as imperialist goes beyond sovereignly defined territories to varying degrees and decentralises the process of pole formation. In particular, it is the transnational capitalist corporations that play a key role here. If specific capitalist actors, with the “operational spaces” they construct, constitute a second essential “layer” of the process of pole formation, it is necessary to add

a third layer: namely, the social struggles and dynamics that help to promote, slow down or redirect the whole process.

The world economy is not simply the sum of national parts, but is itself a hierarchically differentiated system within which today the growth of capital exports of the enterprises of the leading imperialist states is promoted, the space for capital circulation and the financial industry is expanded and a complex relationship between leading and subaltern nations is established within the framework of complicated networks of information transmission. In addition, international credit relations are being expanded, transnational corporations are being formed, international derivative sales are being expanded, and peripheral countries are being successively integrated into the world capitalist economy through the dynamics emanating from the capitalist centres by opening them up as markets or as low-cost production sites.

In 2023, US-China relations have deteriorated to their lowest point since their rapprochement in the 1970s. There is now talk of a Second Cold War. Both the US and China have installed “restorative” political projects in the wake of the 2008 financial crisis. These projects are mutually exclusive and animate today’s geopolitics. In contrast to the first Cold War, in which the great powers sought to group their territory into blocs, today the US and China are competing on a global scale for dominance in intertwined and interconnected global networks.

The spatial logic of the Second Cold War is now focused on the control of networks and their structures. Factors such as interconnectivity and interdependence are among the key principles of network structures, with geopolitical rivalry focused on controlling non-linear and not necessarily hierarchical nodes in topological networks that need not be overtly territorial. In this respect, the US and China operate on the same territory and their economies

are closely intertwined in certain areas. Therefore, it is not possible for the US to “contain” China, nor can Beijing hope to influence a bloc of states beyond Washington’s reach. The US and China thus seek to establish themselves in networks through which they can exercise geopolitical and geo-economic power. In practice, this is done through a number of strategies, such as setting rules that determine how networks are integrated or who can participate in them.

Controlling the flows of capital, goods, money, labour, knowledge, data, technical standards, etc. has always been a strategy of geopolitical power coordination, but these tasks have gained strategic urgency given the network-based structure of the contemporary capitalist world economy. As a result of global financial integration, the transnationalisation of production activities, the increasing complexity of the international division of labour and development at the technological and productivity frontier, the world economy is increasingly organised as a series of highly structured networks that extend across territorial boundaries. By acquiring and exploiting network centrality – particularly through the control and interconnection of key nodes – actors can gain privileged access to strategic inputs, control the circulation of information, exert control over the division of labour, set standards and include or exclude competitors.

Risks are amplified by the extensive use of Fourth Industrial Revolution technologies (artificial intelligence, machine learning, the Internet of Things, advanced robotics and quantum computing) to organise and manage economic networks by companies and states, making them vulnerable to intervention by competitors. As a result, states and companies are using a range of means to reduce vulnerability to threats and vulnerabilities, from decoupling to moving critical value chains to other countries and integrating tech giants in the defence sector.

Infrastructure networks

In the wake of the 2008 economic crisis, a consensus was established between New Keynesians and neoliberal hardliners on the merits of state-coordinated, infrastructure-led development. Central to this was the realisation that neoliberal restructuring had led to a chronic infrastructure investment deficit because the private sector was not investing where it was most needed. The resulting “infrastructure gap” prevented low- and middle-income countries from integrating into global value chains. Experts also wondered whether the US had irrevocably ceded the infrastructure building initiative to China. Washington therefore signed bilateral framework agreements on infrastructure financing and market building with South Korea and Singapore, as well as with Taiwan and Indonesia in 2020 under Trump. The Biden administration has in turn signalled that it will try to compete with China for the central role in infrastructure networks.

Digital networks

Digital networks and cyberspace are at the heart of the US-China rivalry, but the nature of that competition has changed in recent years. In the early 2000s, the main point of contention was the (de)regulation of the Chinese market. Silicon Valley tech giants tried to penetrate the Chinese market, but the regulatory environment proved insurmountable. To gain limited access, American tech companies made significant compromises. Google does have a presence in China, particularly in artificial intelligence, but its core internet services are not available.

Google’s experience illustrates the difficulties American companies face in operating in China. Despite providing sensitive user data to Chinese authorities, many Silicon Valley firms have failed to establish a dominant market position in

China. Their activities have often been hampered by the so-called Great Firewall, which restricts the use of many non-Chinese websites in China. This has protected the emerging Chinese tech sector. Since the 2010s, a number of Chinese companies have emerged as formidable competitors. China's domestic tech giants such as Baidu, Tencent, Alibaba and JD not only dominate the domestic digital economy, but have also established global subsidiaries. In 2015, Beijing launched the Digital Silk Road to strengthen domestic digital companies and support their efforts to expand abroad.

Silicon Valley firms had largely abandoned the idea of expanding their operations in China by 2020, while at the same time viewing Chinese firms as rivals on the global stage. Meanwhile, a major shift took place in US policy during Trump's presidency. Instead of trying to open the Chinese market to American tech companies, Washington focused on limiting the global reach of Chinese tech companies.

The US and China now compete globally to integrate digital infrastructure, hardware and software. The combination of these components is known as the "stack": because they span national borders and bring together many companies, they pose significant regulatory challenges. The Clean Network Initiative is an attempt to prevent the formation of such stacks, which integrate both American and Chinese components. It forced countries and companies to choose between American and Chinese stacks. Indeed, limiting Chinese participation in stacks in other countries and regions is crucial to Washington's efforts, as it allows the US and its tech giants to control Chinese platform companies.

Washington and Beijing have sought to instrumentalise their domestic platforms for their geo-economic and geo-political goals. Platforms are digital interfaces through which users access technology packages. Examples include Amazon and

Alibaba. Their power rests on their ability to set the rules of the game and the protocols that structure interaction between users, while deriving enormous benefits from their ability to access and monetise data flows through network effects. Washington is increasingly engaging the largest American platforms as partners and suppliers in the military-industrial complex.

Beijing exerts influence over Chinese platforms by subsidising various aspects of their operations, including expansion abroad. In return, platforms become subordinate to the party-state in the process of military-civilian merger and are expected to support Beijing's economic governance. However, the US government does not have the same power to control as China. Platform companies are not simply passive extensions of either state, and they can be expected to respond to Beijing's and Washington's efforts to direct their activities.

Production networks

Global production networks (GPNs) have proliferated during the unipolar era. Leading companies – mainly multinationals headquartered in the OECD – took advantage of the general reduction of trade barriers and used advanced information and communication technologies to incorporate the cheapest factors of production worldwide. The result was a dynamic economic geography in the 1990s and 2000s that left the cities and regions that had driven the OECD's post-war economic expansion vulnerable to deindustrialisation. While governments at various levels can influence the location decisions of multinational companies, the geography of GPNs is overwhelmingly shaped by companies engaging in regulatory arbitrage in their quest to maximise profits in an increasingly integrated global economy.

Today, production is often relocated again to places that allow the major powers to eliminate competitors and expand the influence of their domestic lead firms globally. Examples include semiconductors, telecommunications hardware and electric vehicles, as well as GPNs involving artificial intelligence and biotechnology. But even though the international division of labour and the geography of advanced industrial production is shaped by great powers, this does not always mean that capital accumulation is subordinated to national security imperatives. At the same time, officials in Beijing and Washington view control over strategic sectors of the economy as a prerequisite not only essential for national security, but also the basis for ensuring sustainable long-term economic growth.

Many GPNs that are the subject of great power rivalries today were coordinated in the past by leading companies headquartered in the US or one of its allies. Chinese companies were initially integrated as producers, but built up their capabilities over time, with some moving closer to the technological capabilities of leading US companies. By the late 2010s, some American firms were increasingly upset with the behaviour of their former Chinese partners, as intellectual property theft was commonplace and industrial policies primarily favoured local competitors. Compared to China's past industrial policies, today's strategies give the party-state greater leeway in allocating resources through grants, tax breaks, loans and direct investment from a growing number of investment vehicles where the lines between state and private control are increasingly blurred.

China's industrial strategy may aim to promote self-sufficiency in key sectors, but this long-term goal requires a learning curve that is only possible if Chinese companies participate in GPNs in the medium term. Therefore, the US tried to influence Beijing by threatening to limit its participation in GPNs. The Trans-

Pacific Partnership (TPP) was the cornerstone of these efforts. The TPP was a comprehensive agreement among Pacific Rim countries that included far-reaching mandates to reduce hidden subsidies and other non-tariff barriers to trade, as well as to protect intellectual property. The TPP was signed by 12 nation states in 2016 but never ratified by the US, and Trump withdrew from the agreement after taking office.

The original goal of Trump's trade war was to reduce the US trade deficit, not to prevent China from expanding its industrial capacity. Subsequently, however, Trump took important steps in the latter direction, which are now being further expanded by the Biden administration. For example, Biden temporarily banned ZTE (a partially state-owned Chinese telecommunications company) from importing US components and signed an executive order prohibiting American companies from working with Chinese companies.

US efforts to restrict China's participation in strategic GPNs focus on "downstream" areas and limit Chinese progress in advanced stages of production. Meanwhile, Chinese companies have continued to increase their control over resources necessary for advanced industrial processes, such as critical and rare earths. For example, Chinese companies have acquired rights to some of the world's largest lithium deposits, which are needed for the production of electric vehicles .

As the geography of strategic GPNs is increasingly shaped by geopolitical rivalries, some countries that have struggled to connect with GPNs in the past may do so by making themselves more attractive to Beijing or Washington. On the other hand, certain countries or multinationals may resist US and Chinese attempts to reshape GPNs. The US turn towards an expansionary industrial strategy is also likely to provoke some hostility from allies who want to continue to

reap the benefits of the global economic order maintained by US unipolarity. Responding to the US Inflation Reduction Act Bidens' heavy subsidies to domestic green technologies and electric vehicle production, French President Macron said such subsidies threaten to fragment the West by threatening European manufacturing, calling them "super aggressive for our companies."

Financial networks

The global financial and monetary architecture has evolved in parallel with the consolidation of American hegemony. As a result, the centrality of the US in these networks and its ability to shape them are unprecedented. The US has some of the most powerful financial institutions and world financial centres, centralising control over the global financial system and hosting the deepest and most liquid financial markets. The US dollar is still at the top of the global monetary system. Most global financial and trade transactions and major commodity markets are denominated in dollars. US government bonds are the world's most important currency reserves and the linchpin of the global financial system. In contrast, China's subordinate position within the global financial and monetary system is economically costly. A major obstacle to the internationalisation of the Chinese economy and efforts to gain a central position in other networks is that many of China's internationally active companies use US dollars for their trade and business activities.

It is therefore not surprising that finance remains the most important factor in the new world order. China has pursued a multi-pronged strategy to improve its position in global financial networks while reshaping them. Its policy of controlled financial liberalisation and limited capital account openness (with capital controls on inflows and outflows and active exchange rate management) aims to mitigate the risks and costs of integration into US-centric global financial markets.

Renminbi internationalisation policies aim to reduce dependence on the dollar, while other initiatives explicitly aim to improve China's position in financial networks.

Development finance is perhaps the best known of China's recent measures in this area. Disappointment with China's low voting shares in the World Bank and International Monetary Fund has led to efforts to create parallel institutional arrangements. While China-led multilateral initiatives such as the New BRICS Development Bank and the Asian Infrastructure Investment Bank are gaining prominence, they remain insignificant players compared to the bilateral lending of China's two main policy banks, the China Development Bank (CBD) and the China Export-Import Bank (CHEXIM). Together, the CBD and CHEXIM extended nearly half a trillion dollars in international loans between 2008 and 2019, bringing them on par with the World Bank over the same period. Most of this has been for financing infrastructure projects, although occasionally general budget and balance-of-payments support has been given to countries such as Pakistan, Argentina, Venezuela and Sri Lanka.

Early on, China's development loans were dismissed in US policy circles as "rogue aid" used to prop up authoritarian regimes. More recently, Western concerns have focused on China's lack of integration into the institutional framework that surrounds – and oversees – the US-centric system of development finance. For example, China is not a member of the Paris Club, which (along with the IMF) coordinates the responses of major creditor countries to countries in debt distress. With the sovereign debt crisis now coming to a head following the collapse of the Caucasus, China's particular lending modalities and its penchant for case-by-case (even loan-by-loan) negotiations have contributed to the stalling of restructuring efforts for states struggling to repay their debts to a variety of

private, bilateral and multilateral creditors – such as Sri Lanka, Zambia and Ethiopia.

Although Chinese lending has contributed to the current sovereign debt crisis, its origins lie primarily in the increased exposure of many regions of the world to cyclical dollar funding conditions since 2008. Ultra-loose monetary policy in the US and much of the global North in the 2010s triggered greater risk appetite among institutional investors. In turn, more sovereigns were able to borrow in global capital markets, often at high interest rates. After the first Covid shock in March 2020 led to a massive flight of capital from the global South, the Federal Reserve stabilised global financial markets. Central banks were granted varying degrees of Zuga dollar-denominated assets to help them support their national currencies. These measures reveal a multi-tiered, US-centred financial hierarchy, with direct access to the dollar via swap lines reserved for high-income allied states and a few “trusted” emerging markets. However, as the US authorities tighten monetary policy in response to inflation at home, maintaining global liquidity has become less of a priority. The future of certain institutions is increasingly contested, and the US Federal Reserve is only willing to act when overall systemic stability is threatened. Meanwhile, China’s development finance is becoming more cautious and targeted.

China’s reluctance to fully liberalise its capital account long seemed to rule out the prospects for the renminbi as a dollar competitor. However, a series of measures to promote the internationalisation of the renminbi in recent years, as well as China’s status as the most important trading partner for the majority of countries in the world, are increasing the incentives for sovereigns and investors to hold renminbi-denominated assets. Commodity derivatives are of particular importance, as they act as benchmark prices linked to a specific currency and give the issuer of that currency significant power in commodity markets. More

generally, a key pillar of US hegemony since the 1970s has been that most oil is priced in dollars, which are recycled through Western banks. However, this petrodollar system may begin to falter as the US no longer relies directly on West Asian oil and China is now the main importer from the region. Moreover, concerted Chinese efforts to pioneer the adoption of digital currencies by central banks represent another means by which China may displace some dollar transactions.

The primacy of the US in the global financial system is not currently in question, although recent events may tend to weaken American hegemony. Financial sanctions against countries such as Cuba, Iran and North Korea have been in place for several decades, but the willingness of the US and its allies to deny Russia (a G20 economy and the world's largest oil exporter) access to foreign exchange reserves, the SWIFT payment system and the correspondent banking network seems to signal a shift in the way the US exercises its financial power. If the US continues to use denial of access to financial networks as an economic weapon, more actors are likely to pursue alternatives that are beyond US reach. China-based financial institutions do not constitute a fully-fledged alternative financial system. Yet they are likely to be the main beneficiaries as the share of the global economy at risk of exclusion from US networks grows.

The Second Cold War differs from the Cold War in that there is competition for dominance in infrastructure, digital, production and financial networks. Spatially, this competition takes place in the same areas, and the state or companies that gain supremacy within a given network have the ability to shape integration between networks, exclude competitors and control the flow of flows within networks. As a result, great power competition influences trajectories of development, social relations and patterns of state formation, as well as relations between state and non-state actors in novel ways.

The networks that are the subject of great power rivalry are closely interconnected. Today, oceans are criss-crossed by internet cables that are important components of digital and infrastructural networks. The infrastructure and digital networks are underpinned by financial networks, which in turn animate global production networks. Both Washington and Beijing use their power in one network to gain advantage in other networks. The US seeks to undermine China's privileged position in the infrastructure networks by leveraging its power in the financial networks. Similarly, China is trying to reinforce its superior position in digital networks by improving payment systems and the digital yuan project, which serves to internationalise the RMB. Meanwhile, Chinese state-owned enterprises are buying into exchanges in Pakistan, Bangladesh and Kazakhstan, which may provide opportunities to shape GPNs. So in some cases, power in one network can be used to gain an advantage in another, while in others Washington and Beijing may be forced to compromise and give up power in one network to gain in another.

With the rivalry between the great powers centred on the centrality of the networks, it is hard to imagine either side winning a resounding victory. Many countries align themselves with both the US and China – for example, financial networks may be connected to Wall Street and domestic firms may be integrated into GPNs coordinated by American multinationals, while Huawei and other Chinese tech companies build out digital networks and Chinese state-owned enterprises build roads, ports and energy networks. Even if a country is aligned with China or the US in all networks, this can change. Unlike the Cold War, when alliances changed after a revolution or coup, today a newly elected government can cancel an infrastructure project or remove Huawei components from its digital networks.

The interconnected nature of this rivalry favours the possibility for third countries to pursue independent goals. Because countries can, for the time being, simultaneously align some networks with China and others with the US, there is little incentive to choose sides. Instead of accepting their non-aligned status, economies may have to follow a narrow path, pressured by both sides, with the risk of falling out with one bloc or the other. The stronger the compulsion to choose between membership in US or Chinese dominated networks, the more likely the formation of territorial blocs reminiscent of the first Cold War. If the world is forced to align itself completely with the US or China, it could actually split into two rival blocs, each with its own parallel networks that have little or no overlap. Thus, in the future, two largely separate Internets could emerge, certain GPNs could be decoupled, and the Chinese-owned financial networks could expand further.

World Capitalism

Let us conclude by looking at some of the phenomena of the current development of world capitalism:

There is a significant slowdown in economic growth in Europe. According to figures published at the beginning of June 2023, the GDP of the bloc of twenty Eurozone countries contracted for two consecutive quarters, with a contraction of 0.1% between January and March 2023, followed by a contraction of the same amount between October and December 2022. Even if these are limited declines, the Eurozone has thus officially entered a technical recession at the beginning of 2023. This recession is particularly pronounced in Germany.

The global economy is now widely expected to grow at a relatively weak level over the medium term, coming in at just 3.1 per cent in 2028. That compares with a

five-year outlook of 3.6 per cent growth just before the pandemic, and 4.9 per cent before the onset of the financial crisis.

The fragmentation of the global economy into competing blocs is a big problem. The IMF estimated earlier this year that mounting trade barriers alone could reduce global economic output by as much as 7 per cent over the long term.

At the global level, the weak performance is due in particular to weak domestic demand. Government spending is showing a marked decline, while private consumption is treading water against a backdrop of inflation and tighter credit conditions. The impact of monetary tightening will start to be felt. Household purchases of real estate are expected to decline in 2023. Business investment is also likely to slow as it is held back by the rise in interest rates. According to OECD forecasts, there is a significant slowdown in major countries. US growth, which was 1.6% this year, will slow to 1% by 2024. Chinese GDP will grow by only 3% by 2022. Far from the official target of 5.5% and at one of the lowest rates in four decades. Beijing's target of "around 5%" growth this year – one of the lowest in decades – is still a pious hope.

The decision by governments and central banks to raise interest rates to fight inflation is one of the reasons for the stagnation and has a number of spillover effects. Through economic downturn and unemployment, monetary policy wants to fight inflation, of course to the detriment of the lower classes.

Global government debt has doubled in 11 years. It rose by almost 8% last year – at constant exchange rates – to a record \$66.2 trillion. Interest rates, long low, have risen due to central bank policies (raising interest rates, stopping securities purchases). According to Janus Henderson, interest costs will reach 2800 billion US dollars in 2025, which is 2.8% of the expected global GDP. This is twice the

average of the last ten years. This means that borrowing costs for OECD countries have more than doubled since 2021. Debt levels are at record levels and at the same time we are in this higher-for-longer interest rate environment.

The global public debt ratio climbs towards 100 per cent of gross domestic product by the end of the decade. Recent jitters in the world's biggest financial market — US Treasuries — were driving up global borrowing costs just as central banks were shrinking their balance sheets, and government debt issuance was on the rise, she explained.

The poorest countries are in the most difficult position. After three decades of sharp decline, extreme poverty has risen again in the last three years. The resurgence of inflation, exacerbated by the war in Ukraine, has been complicating the situation since autumn 2020, and rising interest rates are further strangulating these countries. Interest rate differentials with US government bonds have exploded. A large part of their public revenues is used for debt servicing: 26.8% in 2021 for Senegal (compared to 7.6% in 2011). On the one hand, the disruption of supply chains (due to Covid19, the war in Ukraine and climate disasters) has pushed up food and energy prices and driven the spiral of misery. As interest rates have risen for the past year, some states are facing bankruptcy due to their debt burden. According to the World Bank, 60% of the world's extreme poverty is now concentrated in sub-Saharan Africa, and the number of people living in extreme poverty continues to rise.

Europe and North America, the wealthiest regions on earth, are also the regions with the highest per capita CO2 emissions (along with the oil-producing Gulf States); Africa, on the other hand, has the world's lowest per capita energy consumption – the average African uses less electricity than a refrigerator, and some 600 million people live without access to electricity. In this sense, it is the

“greenest” continent in the world. But it is also the poorest, with almost half a billion Africans living in extreme poverty.

Africa has huge reserves of coal, oil and natural gas. But to extract these resources and use them for national development requires money, infrastructure, expertise and institutional capacity – and the poorest countries in Africa, especially in sub-Saharan Africa, lack these. One solution is to partner with foreign energy companies – until recently mainly European and American companies – but this means that much of the gas and oil produced domestically is exported and not used for local development. The fact is that fossil fuels are still the fastest and cheapest way to boost economic growth, as the Chinese economic miracle of the last three decades shows. Even though renewable energy can play a role in the development of Africa and other poor regions, many African countries have no choice but to rely on fossil fuels in the coming years if they want to raise their standard of living.

There is a threat of speculative bubbles bursting at any time and there is currently a weakened financial system, as evidenced by bank failures in March 2023 (four US regional banks plus Credit Suisse). The current phase of capitalism continues to be characterised by the hypertrophy of speculative financial capital – it is now de-limited: The number of financial instruments continues to increase. The big financial players are becoming more powerful and the industrial oligopolies are being financialised.

Inflation is slowing down but remains high, leading to a decline in the purchasing power of the lower income strata. In the first quarter of 2023, wages in the EU rose more slowly than prices. Purchasing power declined by 0.6%. Purchases of goods, which had jumped after the confiscations, have been on a downward trend since the end of 2021, with dramatic falls in the products that have increased in

price the most. For example, the rise in food prices, which according to Insee was 13.7% between June 2002 and June 2023, is leading to an unprecedented fall in food consumption – 9.7% year-on-year – highlighting the deprivation that is weighing on many households. Averages aside, the impact of price rises is most severe for low and middle-income households: the bulk of their monthly income goes to consumption (high incomes, of course, have higher savings rates), and food (and often energy) expenditure accounts for a larger share of the family budget. This expenditure largely depends on factors over which households have little influence in the short term: Family composition, where they live and work, how they heat their homes, etc.

It is difficult to capture the movement of profit rates using data from national accounts and information from businesses. At the moment, and despite the absence of enterprise closures (which allow the profit rate to increase by eliminating the less profitable enterprises), according to managers, the profits of large enterprises have increased.

Profits rose sharply in 2020 and seem to be holding up for now despite rising costs. In France, the profit margin also increased despite the economic downturn and rising interest rates. It reached 32.3% of value added between January and March 2023, compared to 31.9% in the third and fourth quarters of 2022.

Two factors were responsible for this. First, profits were boosted by government measures, be it the renewed reduction in taxes on production through the abolition of half of the levy on value added by enterprises or the aid used to cushion the shock of the increase in gas and electricity prices for enterprises. Secondly, enterprises have passed on cost increases (wages and intermediate goods), thereby increasing their profits and contributing to inflation. In a document by IMF economists, the share of profits in eurozone inflation is

estimated at 45% between early 2022 and early 2023. There is indeed a “price-earnings loop” rather than a “price-wage loop” at present, but constraints need to be highlighted in relation to “greedflation”: namely, the heterogeneity of the situation of firms, which have more or less possibilities to raise their prices depending on their size and their position in the production and distribution chain.

Investment in productive capital in the economies of member countries has been much lower since 2010 than in previous decades. The case of Japan is telling: in the 1980s, the growth of productive capital was more than 5% per year. Since 2010 it has fallen to almost zero. In the eurozone, the figures have fallen from almost 3% to less than 1%.

As far as productivity is concerned, there is a discrepancy between the general discourse and the observations that many of us can make, on the one hand, and the macroeconomic data, on the other: the new information technologies (ICTs) are still not leading to an acceleration in productivity growth.

,translated by deepl.



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